

State of Alaska FY2006 Governor's Operating Budget

Department of Natural Resources Pipeline Coordinator Component Budget Summary

Component: Pipeline Coordinator

Contribution to Department's Mission

To encourage the development of petroleum pipelines on State land that make a significant contribution to the general welfare of the people of Alaska, and to encourage excellent operations of those pipelines.

Core Services

State Pipeline Coordinator Office (SPCO) provides right-of-way leases for petroleum pipelines on State lands, administers the rights-of-way under our jurisdiction, oversees the operations of the pipelines on those rights-of-way, and informs the public of the results of our adjudication, administration, and oversight activities. These services are provided through a joint state and federal agency known as the Joint Pipeline Office (JPO). Other State agencies with representation in JPO are ADEC, ADOL, ADF&G, ADPS and ADOTPF. Other Federal agencies with representation in JPO are U.S. EPA, U.S. DOT, U.S. MMS, U.S. Coast Guard and Army Corps of Engineers. The purpose of this joint agency is to speak with one voice to industry that may apply for leases across state and federal lands and for consistency on oversight issues. Our budget is largely funded by statutory designated program receipts from the following projects: Trans Alaska Pipeline (Alyeska Pipeline Services Company), Trans Alaska Gas (Yukon Pacific Corp.), Alpine, Kuparuk, Kuparuk Extension and Oliktok Pipelines (Conoco Phillips Petroleum), Northstar, Milne NGL, Milne Point, Endicott, Badami and Point Thomson Pipelines (BP Exploration/Transportation), and Kenai Kachemak Gas Pipeline (NORSTAR Pipeline Company).

End Results	Strategies to Achieve Results
<p>A: Generate revenue for the State of Alaska through lease application processing and oversight of oil and gas transportation pipelines</p> <p><u>Target #1:</u> Maximize use of existing transport, transmission, common carrier rights-of-way and easements for pipeline purposes by timely processing of amendments, authorizations and permits.</p> <p><u>Measure #1:</u> New miles of pipeline.</p> <p><u>Target #2:</u> Develop a compliance monitoring program for each pipeline system.</p> <p><u>Measure #2:</u> Number of annual pipeline monitoring reports generated.</p>	<p>A1: Coordinated processing of lease and resource permit applications within negotiated deadlines.</p> <p><u>Target #1:</u> To facilitate the necessary petroleum pipeline infrastructure to transport petroleum production within the State.</p> <p><u>Measure #1:</u> Number of rights-of-way/and rights-of-way amendment applications processed.</p> <p>A2: Excellent pipeline operations through oversight to ensure compliance with laws and regulations for early detection of inconsistencies and instances of non-compliance.</p> <p><u>Target #1:</u> No operational down time, except for routine maintenance, for pipelines we oversee due to JPO oversight and processing of amendments, authorizations and permits.</p> <p><u>Measure #1:</u> Number of amendments, authorizations and permits processed.</p> <p><u>Target #2:</u> Negotiate and sign MOUs, MOAs and RSAs with applicable State and federal agencies to cooperatively assign personnel and resources to expedite project reviews.</p> <p><u>Measure #2:</u> MOUs, MOAs and RSAs signed that ensure the required personnel, resources and equipment are available to ensure mission success.</p>

Major Activities to Advance Strategies

- Process applications, and negotiate and deliver Right-of-Way leases.
- Expedite permits and authorizations.
- Coordinate concurrent regulatory process of all JPO participating agencies.
- Maintain public records.
- Administer leases under state jurisdiction.
- Conduct oversight consistent with applicable statutes, regulations and lease requirements.
- Negotiate agreements with lessees and state agencies.
- Keep public informed.

FY2006 Resources Allocated to Achieve Results

FY2006 Component Budget: \$4,040,900

Personnel:

Full time	24
Part time	0
Total	24

Performance Measure Detail

A: Result - Generate revenue for the State of Alaska through lease application processing and oversight of oil and gas transportation pipelines

Target #1: Maximize use of existing transport, transmission, common carrier rights-of-way and easements for pipeline purposes by timely processing of amendments, authorizations and permits.

Measure #1: New miles of pipeline.

New Miles of Pipeline (by Fiscal Year)

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD
2004	0	0	0	0	6

Analysis of results and challenges: Approximately six miles of new pipeline were constructed in Fiscal Year 2004. These new miles of pipeline were related to the Kenai/Kachemak Happy Valley extension.

Target #2: Develop a compliance monitoring program for each pipeline system.

Measure #2: Number of annual pipeline monitoring reports generated.

Number of Annual Pipeline Monitoring Reports Generated (by Fiscal Year)

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD
2005	0	0	0	0	6

Analysis of results and challenges: We have conducted site visits to seven pipeline systems and completed six annual pipeline reports in FY05 as of 10/31/04.

A1: Strategy - Coordinated processing of lease and resource permit applications within negotiated deadlines.

Target #1: To facilitate the necessary petroleum pipeline infrastructure to transport petroleum production within the State.

Measure #1: Number of rights-of-way/and rights-of-way amendment applications processed.

A2: Strategy - Excellent pipeline operations through oversight to ensure compliance with laws and regulations for early detection of inconsistencies and instances of non-compliance.

Target #1: No operational down time, except for routine maintenance, for pipelines we oversee due to JPO oversight and processing of amendments, authorizations and permits.

Measure #1: Number of amendments, authorizations and permits processed.

Number of Amendments, Authorizations and Permits Processed (by Fiscal Year).

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD
2004	3	6	11	14	34
2005	8	0	0	0	8

Analysis of results and challenges: This measure shows the total number of amendments, authorizations and permits processed for all pipelines we oversee. FY05 data is as of 10/29/04.

Target #2: Negotiate and sign MOUs, MOAs and RSAs with applicable State and federal agencies to cooperatively assign personnel and resources to expedite project reviews.

Measure #2: MOUs, MOAs and RSAs signed that ensure the required personnel, resources and equipment are available to ensure mission success.

Number of MOUs, MOAs and RSAs established (by Fiscal Year)

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD
2004	0	0	0	0	32
2005	0	0	0	0	26

Analysis of results and challenges: FY05 Data is as of 10/29/04.

Key Component Challenges

- JPO will continue oversight and monitoring of the Trans-Alaska Pipeline System (TAPS), ensuring Alyeska maintains the pipeline to protect the public and the environment while supplying critical fuels to the nation.
- Alyeska is undertaking a major reconfiguration and will implement significant changes to convert to a more automated pipeline system. JPO will continue to oversee this transition.
- JPO will fully implement a lease compliance oversight program of the North Slope and Kenai Peninsula pipelines.
- JPO will place more emphasis on audits of surveillance and monitoring programs and review of Lessee's quality assurance programs.
- JPO will continue to issue permits, process authorizations and approvals, lease amendments, applications for rights-of-way, notices to proceed and requests for construction on the various common carrier pipelines.

Significant Changes in Results to be Delivered in FY2006

Alyeska is undertaking a major reconfiguration to move to a more automated pipeline system. JPO will oversee this transition that could bring changes in procedures, processes and the types of personnel JPO will need to employ for oversight.

Major Component Accomplishments in 2004

Trans-Alaska Pipeline System (TAPS) Oversight -

The TAPS owners proposed to reconfigure the system to increase efficiencies and lower costs of transportation by taking advantage of technology. This involves reconfiguring the pump stations from turbine power to electrical power pumps requiring major construction at four of the five remaining pump stations. The project, "**Strategic Reconfiguration**," has scheduled project design in 2004 and construction in 2005. JPO completed a NEPA Environmental Assessment of the project in January 2004

State Pipeline Coordinator's Office (SPCO) Pipeline (Non-TAPS) Oversight -

The SPCO administers twenty-one pipeline right-of-way (ROW) leases throughout the state. The administration of these leases is the responsibility of the Right-of-Way Section. A significant component of this responsibility is verification of the lessee's compliance with lease conditions and requirements.

- SPCO reviewed Annual Lessee Reports for sixteen state leases for common carrier pipelines
- SPCO conducted site visits to monitor lease compliance and completed reports for Badami Oil Pipeline, Badami Gas Line, Endicott Oil Pipeline, Milne Point Oil Pipeline, Milne Point Natural Gas Liquids Pipeline, and Oliktok Natural Gas Liquids Pipeline.
- SPCO completed Annual State of the Pipeline and compliance reports for Kuparuk Extension Oil Pipeline, Oliktok Natural Gas Liquids Pipeline, Endicott Oil Pipeline, Badami Oil Pipeline, and Badami Gas Line
- Construction of the 14.4 mile Nuiqsut Natural Gas Pipeline is complete and gas treatment and distribution systems are scheduled for completion during 2004 with start-up planned in March or April 2005. The right-of-way lease was issued to allow natural gas to be transported to the village of Nuiqsut from the Alpine Development Project.

State Pipeline Coordinator's Office (SPCO) Pipeline Lease Administration

- Processed authorizations and approvals required under the right-of-way leases for the pipeline right-of-way leases.
- Processed Lease amendments and Notices to Proceed or requests for construction for pipeline right-of-way leases. The Trans-Alaska Pipeline System Right-of-Way Lease required approximately 7 amendments. The Kuparuk Oil Pipeline Right-of-Way Lease amendment for additional lands to include a pig launcher shelter was executed on January 23, 2004. The Commissioner approved the amendment to the Kenai-Kachemak Pipeline Right-of-Way Lease on June 16, 2004. The Happy Valley Extension included approximately 5.7 miles of State land along the Sterling Highway near Ninilchik. Construction of the extension may be completed in October 2004 and the pipeline start-up date is scheduled for November 2004.
- Received final survey and executed release of interest in right-of-way for the Nuiqsut Gas Pipeline.
- Processed requests for compatible uses requiring coordination with other lessees and ADNR offices use for pipeline right-of-way leases.
- Conducted audits of material sales for the Trans-Alaska Pipeline System – approximately 28 per year.

Statutory and Regulatory Authority

AS 27.19	Mining Reclamation
AS 38.05	Alaska Land Act
AS 38.35	Right-of-Way Leasing Act
AS 46.15	Alaska Water Use Act
AS 46.40	Alaska Coastal Zone Management Program
11 AAC 110	Alaska Coastal Zone Management Program
11 AAC 51	Public Easements
11 AAC 53	Records, Survey, Platting
11 AAC 71	Timber and material Sites
11 AAC 80	Pipeline Rights-of-Way
11 AAC 96	Miscellaneous Land Use
11 AAC 97	Mining Reclamation

Contact Information

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Pipeline Coordinator Component Financial Summary

All dollars shown in thousands

	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	1,583.2	1,850.7	1,982.2
72000 Travel	53.7	187.5	187.5
73000 Services	1,317.3	1,725.6	1,791.4
74000 Commodities	50.4	79.8	79.8
75000 Capital Outlay	21.9	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	3,026.5	3,843.6	4,040.9
Funding Sources:			
1002 Federal Receipts	30.8	42.3	42.3
1005 General Fund/Program Receipts	396.1	413.8	421.7
1007 Inter-Agency Receipts	4.3	21.7	143.8
1061 Capital Improvement Project Receipts	4.6	0.0	0.0
1108 Statutory Designated Program Receipts	2,590.7	3,365.8	3,433.1
Funding Totals	3,026.5	3,843.6	4,040.9

Estimated Revenue Collections

Description	Master Revenue Account	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Unrestricted Revenues				
General Fund Program Receipts	51060	1,050.8	0.0	0.0
Unrestricted Total		1,050.8	0.0	0.0
Restricted Revenues				
Federal Receipts	51010	30.8	42.3	42.3
Interagency Receipts	51015	4.3	21.7	143.8
General Fund Program Receipts	51060	396.1	413.8	421.7
Statutory Designated Program Receipts	51063	2,590.7	3,365.8	3,433.1
Capital Improvement Project Receipts	51200	4.6	0.0	0.0
Restricted Total		3,026.5	3,843.6	4,040.9
Total Estimated Revenues		4,077.3	3,843.6	4,040.9

**Summary of Component Budget Changes
From FY2005 Management Plan to FY2006 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2005 Management Plan	413.8	42.3	3,387.5	3,843.6
Adjustments which will continue current level of service:				
-FY 05 Bargaining Unit Contract Terms: GGU	1.7	0.0	9.8	11.5
-FY06 Cost Increases for Bargaining Units and Non-Covered Employees	6.2	0.0	43.7	49.9
-Adjustments for Personal Services Working Reserve Rates and SBS	0.0	0.0	13.8	13.8
Proposed budget increases:				
-Increase I/A Receipt Authority to Support Gas Pipeline Activities	0.0	0.0	122.1	122.1
FY2006 Governor	421.7	42.3	3,576.9	4,040.9

Pipeline Coordinator Personal Services Information

Authorized Positions			Personal Services Costs	
	<u>FY2005</u> <u>Management</u> <u>Plan</u>	<u>FY2006</u> <u>Governor</u>		
Full-time	24	24	Annual Salaries	1,388,109
Part-time	0	0	COLA	17,098
Nonpermanent	6	6	Premium Pay	10,166
			Annual Benefits	666,072
			<i>Less 1.64% Vacancy Factor</i>	(34,145)
			Lump Sum Premium Pay	0
Totals	30	30	Total Personal Services	2,047,300

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Clerk II	1	0	0	0	1
Administrative Assistant	1	0	0	0	1
Administrative Clerk II	1	0	0	0	1
Administrative Clerk III	1	0	0	0	1
Administrative Manager II	1	0	0	0	1
Data Processing Mgr I	1	0	0	0	1
Dep St Pipeline Coord Engrng	1	0	0	0	1
Engineer/Architect IV	1	0	0	0	1
Information Officer III	1	0	0	0	1
Micro/Network Spec I	1	0	0	0	1
Natural Resource Mgr II	1	0	0	0	1
Natural Resource Mgr III	1	0	0	0	1
Natural Resource Spec II	4	0	0	0	4
Natural Resource Spec III	3	0	0	0	3
Natural Resource Tech II	1	0	0	0	1
Pipe Line Coordinator	1	0	0	0	1
Records Analyst I	1	0	0	0	1
Secretary	1	0	0	0	1
Student Intern I	3	0	0	0	3
Student Intern II	3	0	0	0	3
Tech Eng I / Architect I	1	0	0	0	1
Totals	30	0	0	0	30